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10/029,997	12/27/2001	Grace Tsui-Feng Chang	US010470	7022
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PHILIPS INTELLECTUAL PROPERTY & STANDARDS P.O. BOX 3001 BRIARCLIFF MANOR, NY 10510			REAGAN, JAMES A	
			ART UNIT	PAPER NUMBER
			3621	

DATE MAILED: 06/14/2006

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary	Application No. 10/029,997	Applicant(s) CHANG ET AL.	
	Examiner James A. Reagan	Art Unit 3621	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 10 April 2006.
- 2a) ☒ This action is **FINAL**. 2b) ☐ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1,3-13 and 21-27 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1, 3-13 and 21-27 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. _____.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- | | |
|--|---|
| 1) <input type="checkbox"/> Notice of References Cited (PTO-892) | 4) <input type="checkbox"/> Interview Summary (PTO-413)
Paper No(s)/Mail Date. _____ |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | 5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152) |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)
Paper No(s)/Mail Date _____ | 6) <input type="checkbox"/> Other: _____ |

DETAILED ACTION

Status of Claims

1. This action is in response to the amendment filed on 10 April 2006.
2. Claims 7, 8, and 11 have been amended.
3. Claims 1, 3-13 and 21-27 are currently pending and have been examined.

RESPONSE TO ARGUMENTS

4. Applicant's arguments received on 10 April 2006 have been fully considered but they are not persuasive. Referring to the previous Office action, Examiner has cited relevant portions of the references as a means to illustrate the systems as taught by the prior art. As a means of providing further clarification as to what is taught by the references used in the first Office action, Examiner has expanded the teachings for comprehensibility while maintaining the same grounds of rejection of the claims, except as noted above in the section labeled "Status of Claims." This information is intended to assist in illuminating the teachings of the references while providing evidence that establishes further support for the rejections of the claims.

The Examiner would like to thank the Applicant for taking the time to provide the Examiner with an *aide memoire* regarding the legal standard for obviousness rejections under 35 U.S.C. 103, and for providing a clarification for the Examiner's benefit. In retort, the Examiner offers this augmentation to the Applicant's condensed summary, vis-à-vis the obligatory triad of criteria needed to establish a *prima facie* case of obviousness.

Applicant argues that a *prima facie* case of obviousness has apparently not been established. In response, the Examiner respectfully submits that obviousness is determined on the basis of the evidence as a whole and the relative persuasiveness of the arguments. See *In re Oetiker*, 977 F.2d 1443, 1445, 24 USPQ2d 1443, 1444 (Fed. Cir. 1992); *In re Hedges*, 783 F.2d

Art Unit: 3621

1038, 1039, 228 USPQ 685,686 (Fed. Cir. 1992); *In re Piasecki*, 745 F.2d 1468, 1472, 223 USPQ 785,788 (Fed. Cir. 1984); and *In re Rinehart*, 531 F.2d 1048, 1052, 189 USPQ 143,147 (CCPA 1976). Using this standard, the Examiner respectfully submits that the burden of presenting a *prima facie* case of obviousness has successfully been satisfied, since evidence of corresponding claim elements in the prior art has been presented, and since the Examiner has expressly articulated the combinations and the motivations for combinations that fairly suggest Applicant's claimed invention. Note, for example, the motivations explicitly stated in the paragraphs below.

MOTIVATION TO COMBINE

In response to Applicant's argument that there is no suggestion to combine the references, the Examiner recognizes that obviousness can only be established by combining or modifying the teachings of the prior art to produce the claimed invention where there is some teaching, suggestion, or motivation to do so found either in the references themselves or in the knowledge generally available to one of ordinary skill in the art. See *In re Fine*, 837 F.2d 1071, 5 USPQ2d 1596 (Fed. Cir. 1988) and *In re Jones*, 958 F.2d 347, 21 USPQ2d 1941 (Fed. Cir. 1992).

To this end, the Examiner recognizes that references cannot be arbitrarily altered or modified and that there must be some reason why one skilled in the art would be motivated to make the proposed modifications. Although the motivation or suggestion to make modifications must be articulated, it is respectfully submitted that there is no requirement that the motivation to make modifications must be expressly articulated within the references themselves. References are evaluated by what they suggest to one versed in the art, rather than by their specific disclosures, *In re Bozek*, 163 USPQ 545 (CCPA 1969).

The Examiner is concerned that the Applicant apparently ignores the mandate of the numerous court decisions supporting the position given above. The issue of obviousness is not

Art Unit: 3621

determined by what the references expressly state but by what they would reasonably suggest to one of ordinary skill in the art, as supported by decisions in *In re Delisle* 406 Fed 1326, 160 USPQ 806; *In re Kell, Terry and Davies* 208 USPQ 871; and *In re Fine*, 837 F.2d 1071, 1074, 5 USPQ 2d 1596, 1598 (Fed. Cir. 1988) (citing *In re Lalu*, 747 F.2d 703, 705, 223 USPQ 1257, 1258 (Fed. Cir. 1988)). Further, it was determined in *In re Lamberti et al* 192 USPQ 278 (CCPA) that:

- (i) obvious does not require absolute predictability;
- (ii) non-preferred embodiments of prior art must also be considered; and
- (iii) the question is not express teaching of references but what they would suggest.

According to *In re Jacoby*, 135 USPQ 317 (CCPA 1962), the skilled artisan is presumed to know something more about the art than only what is disclosed in the applied references. Within *In re Bode*, 193 USPQ 12 (CCPA 1977), every reference relies to some extent on knowledge of persons skilled in the art to complement that which is disclosed therein. In *In re Conrad* 169 USPQ 170 (CCPA), obviousness is not based on express suggestion, but what references taken collectively would suggest.

In the instant case, the Examiner respectfully notes that each and every motivation to combine the applied references is accompanied by select portions of the respective references, which specifically support that particular motivation. As such, it is NOT seen that the Examiner's combination of references is unsupported by the applied prior art of record. Rather, it is respectfully submitted that explanation based on the logic and scientific reasoning of one ordinarily skilled in the art at the time of the invention that support a holding of obviousness has been adequately provided by the motivations and reasons indicated by the Examiner, *Ex pane Levengood* 28 USPQ 2d 1300 (Bd. Pat. App. & Inter., 4/22/93).

REASONABLE EXPECTATION OF SUCCESS

Obviousness requires only a *reasonable* expectation of success (see MPEP 2143.02). This foundation puts forth the standard that one of ordinary skill in the art would recognize a benefit or enhancement by combining the references. Obviousness does not require absolute predictability. It does not require that the benefit must be extraordinary, nor does it necessitate that profit is certain, or success guaranteed. The prior art can be modified or combined to reject claims as prima facie obvious as long as there is a reasonable expectation of success to those of customary proficiency. See *In re Merck & Co., Inc.*, 800 F.2d 1091, 231 USPQ 375 (Fed. Cir. 1986)

It is understood that at least some degree of predictability is required, and that the Applicant may present evidence showing that there was no reasonable expectation of success. See *In re Rinehart*, 531 F.2d 1048, 189 USPQ 143 (CCPA 1976). However, this standard should not be mistakenly interpreted as an open door to declare that the Examiner's rationale is lacking any support at all, or that the Examiner's rejections do not show success *beyond* a reasonable expectation. Indeed, the standard is one of *sensible* success, not guaranteed or exceptional success. Evidence showing there was no reasonable expectation of success may support a conclusion of nonobviousness. Such evidence to the contrary must be supplied in support of such an allegation against the Examiner's rejections. Evidence should be clear, analogous to the references and claimed invention, and should not require excessive skill in the art to comprehend.

In addition, a reasonable expectation of success does not require that an observer be thoroughly proficient with the art or industry, nor does it require that the success be particularly evident to one of less-than-ordinary skill in the art. MPEP 2141.03 describes the level of ordinary skill in the art. Specifying a particular level of skill is not necessary where the prior art itself reflects an appropriate level. If the only facts of record pertaining to the level of skill in the art are found within the prior art of record, the court has held that an invention may be held to have been obvious without a specific finding of a particular level of skill where the prior art itself reflects an

Art Unit: 3621

appropriate level. *Chore-Time Equipment, Inc. v. Cumberland Corp.*, 713 F.2d 774, 218 USPQ 673 (Fed. Cir. 1983). See also *Okajima v. Bourdeau*, 261 F.3d 1350, 1355, 59 USPQ2d 1795, 1797 (Fed. Cir. 2001).

THE PRIOR ART MUST TEACH OR SUGGEST ALL OF THE LIMITATIONS

The Applicant's arguments stating that the combination of the prior art of record does not fully disclose nor fairly suggest the claimed invention fails to persuade the Examiner because, as shown in the rejections below, the prior art of record is clearly and unarguably analogous as well as relevant. In addition, Applicant's arguments regarding the teachings of the prior art of record fall short because when combined together, the prior art of record wholly and flawlessly discloses the claimed invention. Applicant should carefully consider revising the claim language to overcome the pending rejections which may place the application in a better condition for allowance.

With regard to claim 1, Applicant asserts that, "Stefik does not teach storing user data associated with a plurality of registered users, wherein said user data includes a user identification code (userid) and payment information corresponding to each registered user of the plurality of registered users." The Examiner flatly disagrees and points to Figure 6 of Stefik. Specifically, attention is called to Item 603, wherein a user is identified with not only a proper name but also with a User ID number, clearly showing a registration step. Secondly, Item 605 plainly shows a fee structure and identification number for channeling fees from a user to an author, again inherently disclosing a registration step. Continuing, Applicant submits that "...Stefik does not teach effecting payment to the registered user for the sale of the digital product by the registered user to the user." In response, the Examiner again points to Items 603 and 605. Applicant goes on to assert that, "After considering fully the entire reference, it appears that there is absolutely no indication in Stefik about storing user data associated with a plurality of registered users the only user information shown in Stefik is the one attached to a particular rendering device, such as a printer." The Examiner has pointed out particular references

contained in the prior art of record within the body of this action for the convenience of the Applicant. Although the specified citations are representative of the teachings in the art and are applied to the specific limitations within the individual claim, other passages and figures may apply. Applicant, in preparing the response, should consider fully the *entire* reference as potentially teaching all or part of the claimed invention, as well as the context of the passage as taught by the prior art or disclosed by the Examiner. Applicant is again invited to thoroughly review the Stefik reference.

Applicant argues, "As admitted by the Examiner in the Office Action at page 5, line 2, the user id shown in Stefik is updated and placed in a watermark before allowing a digital work to be rendered, not before transferring the digital product. What is shown in Figs. 6, 7, and 10 of Stefik is not updating the watermark to include a userid of a transferor; it is updating a watermark with a user ID associated with a device that is used for rendering the digital product such as, e.g., a trusted printer." Applicant is directed to Stefik, Figure 6, Item 616. Note the watermark with the USER ID. Regarding the order of transfer, it is obvious if not inherent that a watermark be updated before transference to a rendering device. To do other wise would be self-defeating.

"Applicant would like to remind the Examiner that the teaching or suggestion to make the claimed combination and the reasonable expectation of success must both be found in the prior art and not based on Applicant's disclosure (MPEP § 2143)." The background of the specification states, "Present business models for distribution of copyrighted digital products in which consumer's of copyrighted digital products participate in and benefit from marketing of the copyrighted digital products include multi-level marketing (MLM) models. In the MLM model, digital products developed and owned by different developers are distributed through a central server. The developer and owners (buyers that purchased the product) establish a catalogue on a network server (selected by the developer or buyer) from which products owned by the developer or owner may be selected." Applicant's voluntary admissions regarding the state of the art and the examples provided were given full faith and credit by the Examiner as testimony by one of at least ordinary skill in the art at the time the invention was conceived. Therefore, the Examiner

dutifully accepts the Appellant's background information as factual. In this case, the Applicant clearly made the connection between the distribution of copyrighted digital products and multi-level marketing (MLM) models.

With regard to the Applicant's assertions that the prior art of record does not fairly teach or disclose each and every limitation contained within the claims, it appears as if the Applicant is reading limitations into the claims from the specification. The Examiner has taken the broadest and most reasonable interpretation of the claim limitations as written, in light of the specification. Although the specification may contain recitations of intended use, alternative points of view and subjective interpretative differences between the prior art of record and the present invention as premeditated, it is the claims themselves that are given patentable weight only inasmuch as they are constructed. Because the claimed invention has been painted with the broad stroke of petitioning for limitations that encompasses more than is asserted in the Applicant's claims, the prior art of record continues to fully disclose the Applicant's inventions *as claimed*.

With regard to claim 4, the common knowledge declared to be well-known in the art is hereby taken to be admitted prior art because the Applicant either failed to traverse the Examiner's assertion of Official Notice or failed to traverse the Examiner's assertion of Official Notice adequately. To adequately traverse the examiner's assertion of Official Notice, the Applicant must specifically point out the supposed errors in the Examiner's action, which would include stating why the noticed fact is not considered to be common knowledge or well-known in the art. A general allegation that the claims define a patentable invention without any reference to the Examiner's assertion of Official Notice would be inadequate. Support for the Applicant's assertion of should be included.

Claim Rejections - 35 USC § 103

5. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

6. Claims 1, 3-13 and 22-27 are rejected under 35 U.S.C. 103(a) as being unpatentable over Stefik et al. (US 6,233,684 B1) in view of the Applicant's own admissions.

Examiner's Note: The Examiner has pointed out particular references contained in the prior art of record within the body of this action for the convenience of the Applicant. Although the specified citations are representative of the teachings in the art and are applied to the specific limitations within the individual claim, other passages and figures may apply. Applicant, in preparing the response, should consider fully the entire reference as potentially teaching all or part of the claimed invention, as well as the context of the passage as taught by the prior art or disclosed by the Examiner.

Claims 1, 3, 5, 7, and 8:

Stefik discloses the distribution of digital works utilizing a watermarking system to prevent copyright infringement and theft (see at least the abstract, column 1, line 46 to column 2, line 61, as well as other associated and relevant text). Stefik also discloses the use of User ID's, royalty information, designing the watermark based on historical data, and embedding the watermark into the digital work (see at least Figures 10 and 11, as well as other associated and relevant text). In

addition, Stefik discloses the billing process (see at least Figure 2, as well as other associated and relevant text). Stefik, therefore, discloses the following limitations:

- *storing user data associated with a plurality of registered users, wherein said user data includes a user identification code (UserID) and payment information corresponding to each registered user of the plurality of registered users;*
- *transferring a data packet associated with the digital product from a registered user of the plurality of registered users to another user, wherein the data packet includes a watermark storing the UserID of the registered user;*
- *transacting a purchase by the user of the digital product; and*
- *processing the payment information corresponding to the registered user who transferred the data packet for effecting payment to the registered user for the sale of the digital product by the registered user to the user;*
- *updating the watermark to include the UserID of the registered user who transferred the data packet;*
- *the method is performed in accordance with a multi-level marketing business model;*
- *the data packet includes a product content file, wherein the watermark is embedded in the product content file;*
- *transmitting the updated watermark;*
- *the step of processing the payment further includes the step of receiving the updated watermark;*

Stefik does not specifically disclose a marketing aspect of the invention to include tracking of marketing components and events. Applicant, however, in the background of the specification discloses a marketing structure already known in the industry that includes maintaining records of multilevel marketing models for the distribution of digital goods.

With regard to the limitation of *wherein each subsequent transfer includes updating the watermark to include a UserID of a transferor*, see Stefik, at least Figures 6, 7, and 10 as well as

the associated text, wherein Stefik shows a user ID that is updated and placed into a watermark before allowing a digital work to be rendered.

Claim 4:

Stefik in combination with the Applicant's admissions disclose the digital data distribution system as well as *the data packet includes a product content file including the content of the product*, as shown in the rejections above. Stefik/Applicant do not disclose *a preview file including a sample of the content of the product, and wherein the watermark is embedded in the preview file*. The Examiner takes **Official Notice**, however, that it is old and well-known in the e-commerce industry to provide samples of documents, movies, music, and other digital files in order to entice a consumer to buy the full version after previewing the sample. As shown above, it would be obvious to include a watermark with the preview sample to prevent fraudulent use.

Claims 6 and 9-11, 22, 23, 24:

With regard to the limitations of:

- *a portion of the data packet is encrypted, and wherein the step of transacting a purchase further includes the step of providing a key for decrypting the encrypted portion;*
- *the product content file is encrypted;*
- *the preview file is not encrypted;*
- *the data packet is secured for preventing use of the product by the user prior to receiving the key for decrypting;*

See at least Figure 15 and column 2, lines 48-51, as well as other associated and relevant text.

Claims 12 and 13:

With regard to the limitations of:

- *updating history data stored within a watermark associated with a digital product every time the digital product is transferred, wherein the history data includes data associated with individuals who have transferred the digital product to another individual; accessing the history data;*
- *transacting a sale of the digital product; and*
- *rewarding the individuals who have transferred the digital product to another individual for effecting a sale of the digital product;*
- *the method is in accordance with a multi-level marketing business model;*

See the citations and explanations as shown in the rejections of claims 1-11 above. In addition, see column 2, lines 48-51.

Claims 21 and 25-27:

See the citations and explanations as shown in the rejections of claims 1-11 above. In addition, see column 2, lines 48-51.

Conclusion

7. Applicant's amendment necessitated the new ground(s) of rejection presented in this Office action. Accordingly, **THIS ACTION IS MADE FINAL**. See MPEP § 706.07(a). Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).
8. A shortened statutory period for reply to this final action is set to expire **THREE MONTHS** from the mailing date of this action. In the event a first reply is filed within **TWO MONTHS** of the mailing date of this final action and the advisory action is not mailed until after the end of the **THREE-MONTH** shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than **SIX MONTHS** from the date of this final action.

Art Unit: 3621

Any inquiry of a general nature or relating to the status of this application or concerning this communication or earlier communications from the Examiner should be directed to **James A. Reagan** whose telephone number is **571.272.6710**. The Examiner can normally be reached on 8:00a - 5:00p M-F. If attempts to reach the examiner by telephone are unsuccessful, the Examiner's supervisor, **James Trammell** can be reached at **571.272.6712**.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://portal.uspto.gov/external/portal/pair> . Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at **866.217.9197** (toll-free).

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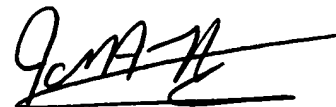
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JAMES A. REAGAN

Primary Examiner

Art Unit 3621

05 June 2006

A handwritten signature in black ink, appearing to read 'J. A. Reagan', with a horizontal line drawn underneath.

**JAMES A. REAGAN
PRIMARY EXAMINER**